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A New Oil and Gas Generation

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Gazprom building gas transmission facilities in the northwest of Russia.

The modernization of the Russian refining and petrochemicals industry is putting unprecedented strain on the country's resources of individuals with project management and engineering skills.

Specialists remain in short supply and employers are stepping up the search for recruits, especially in engineering, procurement and construction.

"Russian oil companies need staff who are able to coordinate and interact with Western engineering companies," said Maxim Kaurov, executive director, head of oil & gas, energy, and industrial sectors, Staffwell. "The inability of the Russian market to manage its own resources is a serious problem for the oil industry."

The shortage of skilled staff in the energy sector is likely to force state monopolies to address the issue in terms of education and training. For now, the shortage is resulting in higher wages that could push up energy costs for consumers.

Project managers are among the highest-paid specialists in the industry. A professional with 10 years experience and knowledge of English can command a salary of 300,000 rubles ($8,200) per month. In addition, benefits can extend to their family, including moving costs, health insurance and sports clubs.

Russia is not alone in suffering a skills shortage in the energy sector. Expatriate staff working in Russia come from countries that are also seeing wages rise in response to a declining number of available specialists.

Wages in Britain rose by 15 per cent or more last year in the oil and gas sector due to a combination of reasons: an unexpected increase in production of low-grade oil such as Russia produces; underinvestment in training in recent decades; and international competition for expat staff. Oilandgaspeople.com chief executive Kevin Forbes said that global competition for staff had even reached the U.S. oil industry where opportunities abroad and wage rises of up to 20 per cent had lured staff overseas.

Increasing demand for energy in emerging markets like China is only one factor. The retirement of skilled staff is another. PriceWaterhouseCooper recently reported that the Scottish oil city of Aberdeen alone needed to recruit 120,000 new staff over the next eight years in order to replace those leaving the industry.

Known as the Big Crew Change, those exiting the industry will take knowledge and expertise with them. Industry HR veteran Derek Massie, of Maxwell Drummond International, told last year's Global Oil and Gas HR Summit in London that half the global oil and gas workforce could retire by 2015. PWC estimates that more than half of oil and gas professionals worldwide are over the age of 45.

Once staff are hired, it can take from five to seven years before a newly minted engineer or geoscientist can work fully unsupervised and autonomously, according to PWC. Although they can be productive in about two years, autonomy is more important because of the financial impact of wrong decisions.

Engineering personnel are also likely to remain in favor, even when companies downsize. Staffwell's Kaurov said the government's refusal to let state monopolies raise tariffs would likely lead to staff reductions at companies such as Gazprom and Transneft. Administrative staff would go first, however, but the cuts would probably not affect engineering personnel.

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